



Bureau for Private Postsecondary Education
2535 Capitol Oaks Drive, Suite 400, Sacramento, CA 95833
P.O. Box 980818, West Sacramento, CA 95798-0818
P (916) 431-6959 F (916) 263-1897 www.bppe.ca.gov



NOTICE OF EMERGENCY DECISION

January 29, 2016

Dr. Rashed Elyas
Chief Executive Officer
B & H Education, Inc.
501 S. Beverly Drive
Beverly Hills, CA 90212-4520

Pursuant to California Code of Regulations, Title 5, section 75150, subdivision (d) and Government Code section 11460.40, the Bureau for Private Postsecondary Education (Bureau) hereby notifies B & H Education, Inc. dba Marinello Schools of Beauty and any of its subsidiaries that operate Marinello Schools of Beauty in California (Marinello), of the attached Emergency Decision, that will become effective upon **close of business February 4, 2016**.

The Emergency Decision orders Marinello to **CEASE ENROLLMENT OF ANY NEW STUDENTS IN ALL PROGRAMS** at all of the following locations:

Marinello Schools of Beauty:

- 1. School Code: 1904681 (Main)
6538 Greenleaf Avenue
Whittier, CA 90601
- 2. School Code: 81739886 (Branch)
663 North Euclid Street
Anaheim, CA 92801
- 3. School Code: 12682618 (Branch)
3737 Ming Avenue
Bakersfield, CA 93309
- 4. School Code: 1903091 (Branch)
4210 East Gage Avenue
Bell, CA 90201

- 5. School Code: 1902481 (Branch)
200 North San Fernando Blvd.
Burbank, CA 91502
- 6. School Code: 0100341 (Branch)
2806 Castro Valley Blvd.
Castro Valley, CA 94546
- 7. School Code: 51315880 (Satellite)
2848 Castro Valley Blvd.
Castro Valley, CA 94546
- 8. School Code: 73116841 (Branch)
2201 Pillsbury Road, Suites 160 and 170
Chico, CA 95926
- 9. School Code: 1904071 (Branch)
1600 South Azusa Avenue, Suite 244
City of Industry, CA 91748
- 10. School Code: 55199095 (Branch)
1849 Willow Pass Road, Suite 400
Concord, CA 94520
- 11. School Code: 62178331 (Branch)
841 Arnele Avenue
El Cajon, CA 92020
- 12. School Code: 72482265 (Branch)
3117 West Shaw Avenue, Suite 108
Fresno, CA 93711
- 13. School Code: 0100681 (Branch)
22641 Main Street
Hayward, CA 94541
- 14. School Code: 3302021 (Branch)
2627 West Florida Avenue, Suite 100
Hemet, CA 92545

- 15. School Code: 3001361 (Branch)
19022 Brookhurst Street
Huntington Beach, CA 92646
- 16. School Code: 1906871 (Branch)
240 South Market Street
Inglewood, CA 90301
- 17. School Code: 3001231 (Branch)
23635 El Toro Road, Suite K
Lake Forest, CA 92630
- 18. School Code: 1905601 (Branch)
2418 Lomita Blvd., Suite B
Lomita, CA 90717
- 19. School Code: 64417848 (Satellite)
2408 Lomita Blvd., Suite A
Lomita, CA 90717
- 20. School Code: 1906831 (Branch)
1837 South La Cienega Blvd., Suite A
Los Angeles, CA 90035
- 21. School Code: 33436333 (Satellite)
1801 South La Cienega Blvd., Suite 301
Los Angeles, CA 90035
- 22. School Code: 1906841 (Branch)
1241 South Soto Street, Suite 101
Los Angeles, CA 90023
- 23. School Code: 3003171 (Branch)
24741 Alessandro Blvd.
Moreno Valley, CA 92553
- 24. School Code: 46614875 (Satellite)
24757 Alessandro Blvd., Units 1, 2 and 3
Moreno Valley, CA 92553

- 25. School Code: 99542484 (Branch)
39449 Los Alamos Road
Murrieta, CA 92563
- 26. School Code: 2800131 (Branch)
2110 Main Street
Napa, CA 94559
- 27. School Code: 3600541 (Branch)
940 North Mountain Avenue
Ontario, CA 91762
- 28. School Code: 19103599 (Satellite)
938 North Mountain Avenue
Ontario, CA 91762
- 29. School Code: 88680704 (Branch)
641 West Palmdale Blvd.
Palmdale, CA 93551
- 30. School Code: 1901571 (Branch)
8527 Alondra Blvd., Suite 129
Paramount, CA 90723
- 31. School Code: 37954037 (Branch)
1560 Market Street
Redding, CA 96001
- 32. School Code: 1904421 (Branch)
18442 Sherman Way
Reseda, CA 91335
- 33. School Code: 3404141 (Branch)
5522 Garfield Avenue
Sacramento, CA 95841
- 34. School Code: 3600391 (Branch)
721 West 2nd Street, Suite E
San Bernardino, CA 92410

- 35. School Code: 3701281 (Branch)
7550 Miramar Road, Suite 400
San Diego, CA 92126-4217
- 36. School Code: 3800631 (Branch)
1035 Market Street
San Francisco, CA 94103
- 37. School Code: 55199051 (Branch)
854 Fourth Street
San Rafael, CA 94901
- 38. School Code: 4300211 (Branch)
955 Monroe Street
Santa Clara, CA 95050
- 39. School Code: 17872833 (Satellite)
1260 & 1270 Franklin Mall
Santa Clara, CA 95050
- 40. School Code: 2700921 (Branch)
1760 Fremont Blvd., Suite F-2
Seaside, CA 93955
- 41. School Code: 1904411 (Branch)
1125 East Los Angeles Avenue
Simi Valley, CA 93065
- 42. School Code: 14960741 (Branch)
445 West Weber Avenue, Suite 223
Stockton, CA 95203
- 43. School Code: 83940807 (Branch)
14311 Bear Valley Road, Suite 101
Victorville, CA 92392
- 44. School Code: 75914578 (Branch)
2335 South Mooney Blvd.
Visalia, CA 93277

- 45. School Code: 1904671 (Branch)
166 Plaza Drive
West Covina, CA 91790

You have the right to be heard before the Director of the Department of Consumer Affairs, or his designee, regarding the allegations in the Emergency Decision prior to the effective date of the Emergency Decision. If you would like to be heard before the Director, please submit a request by fax to Yvette Johnson, Enforcement Manager, Bureau for Private Postsecondary Education, 2535 Capitol Oaks Drive, Suite 400, Sacramento, CA 95833, (916) 263-1895 (fax). Alternatively, you may request a hearing before the Director, or his designee, by telephoning Yvette Johnson at (916) 431-6915. Unless the Bureau receives your request by **5:00 p.m. on February 2, 2016** you will be deemed to have waived your right to be heard before the Director, or his designee.

If requested, the hearing before the Director of the Department of Consumer Affairs, or his designee, will be held on **February 3, 2016 at 12:00 p.m.** at the Department of Consumer Affairs Executive Office, located at 1625 North Market Blvd., Suite S-308, Sacramento, CA 95834.

Within 10 days after issuance of the Emergency Decision, the Bureau will file an Accusation on the charges and allegations set forth in the Emergency Decision. The adjudicative proceedings shall be conducted in accordance with Article 10 (commencing with Section 11445.10) of Chapter 4.5 or Chapter 5 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the Government Code, as requested by you.

Upon issuance of the Emergency Decision, you have the right under Government Code section 11460.80 to obtain judicial review of the Decision.

The Emergency Decision shall remain in effect until such time as the Accusation has been fully adjudicated or upon issuance of the final decision following judicial review.


Joanne Wenzel, Deputy Bureau Chief
Bureau for Private Postsecondary Education

1/29/16
Date



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EMERGENCY DECISION

January 29, 2016

Dr. Rashed Elyas
Chief Executive Officer
B & H Education, Inc.
501 S. Beverly Drive
Beverly Hills, CA 90212-4520

Pursuant to California Education Code section 94938, California Code of Regulations, Title 5, section 75150, and article 13 (commencing with section 11460.10) of Chapter 4.5 of Part 1 of Division 3 of Title 2 of the Government Code, the Bureau for Private Postsecondary Education (Bureau) issues the following Emergency Decision:

The Bureau hereby orders B & H Education, Inc. dba Marinello Schools of Beauty and any of its subsidiaries that operate Marinello Schools of Beauty in California (Marinello), to **CEASE ENROLLMENT OF ANY NEW STUDENTS IN ALL PROGRAMS** at all of the following locations **effective upon close of business February 4, 2016:**

Marinello Schools of Beauty:

- **1. School Code: 1904681 (Main)**
6538 Greenleaf Avenue
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2806 Castro Valley Blvd.
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- 45. School Code: 1904671 (Branch)
166 Plaza Drive
West Covina, CA 91790

This order is based on an immediate danger to the public health, safety, and welfare. Specifically, the Bureau has determined that:

As set forth in the attached Declaration of Carla Newman, there is a substantial failure by the institution to meet institutional minimum operating standards related to financial resources as required by the California Private Postsecondary Education Act of 2009 and the California Code of Regulations, Title 5, section 71745.

These circumstances require immediate action by the Bureau to protect students, prevent misrepresentations to the public, and prevent the loss of public funds or monies paid by students.

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Upon issuance of the Emergency Decision, you have the right under Government Code section 11460.80 to obtain judicial review of the Decision.

The Emergency Decision, **effective upon close of business February 4, 2016**, shall remain in effect until such time as the Accusation has been fully adjudicated or upon issuance of the final decision following judicial review.



Joanne Wenzel, Deputy Bureau Chief
Bureau for Private Postsecondary Education

1/29/16
Date

Declaration of Carla Newman

I, Carla Newman, declare that if called to testify I would testify competently and relevantly as follows:

1. Since August 2015, I have been an Associate Governmental Program Analyst/Field Investigator for the Bureau for Private Postsecondary Education ("Bureau") with the California Department of Consumer Affairs. My duties include investigation of Institutions approved by the Bureau, including reviewing documents and writing investigative reports.

2. The following forms the basis for the Bureau's January 29, 2016 Emergency Decision:

a. Effective November 24, 2015, the United States Department of Education (Department) transferred Marinello Schools of Beauty ("Marinello") from the "Advance" method of payment to the "Heightened Cash Monitoring 2 (HCM2)" method of payment. According to the Department, it based its action on program reviews conducted at seven Marinello locations in October 2015. The program reviews identified concerns regarding Marinello's "administrative capability." [Attached as **Exhibit A** is a true and correct copy of the Department's November 25, 2015 letter regarding "HCM2 Method of Payment" addressed to Dr. Rashed Elyas, Chief Executive Officer of B & H Education, Inc., which owns Marinello. The Bureau acquired this letter and I reviewed it in my capacity as an investigator for the Bureau.]

b. Under the HCM2 method of payment, Marinello is no longer able to receive advance payment of Title IV funds from the Department for eligible students. Instead, Marinello may disburse institutional funds to eligible students and wait for reimbursement from the Department after all expenditures are properly documented. [See, **Exhibit A.**]

c. On January 26, 2016, the Bureau received a letter from Dr. Rashed Elyas, Chief Executive Officer of B & H Education, Inc., concerning a "serious matter" facing Marinello that stated, among other things, the following:

- Marinello is in a "dire cash flow" situation under the Department's HCM2 status.
- The HCM2 status "creates a delay in Title IV funding to Marinello of approximately 60-90 days, and also decreases the total amount and certainty of aid received."
- The Department has "thus far indicated that they are unwilling or unable to adapt the HCM2 process while [the Department] completes its review to determine whether cause for its action exists."
- Marinello has "operated without 80% of its cash revenues since November 25, 2015."
- "[A]bsent a prompt modification of the HCM2 status and processes to adapt to the reasonable business requirements . . . Marinello] will be forced to close [its] 57 locations."
- The situation "may result in the disruption of education for approximately 4,300 students, the loss of approximately 800 jobs, and the closure of [Marinello]."

[Attached as **Exhibit B** is a true and correct copy of the January 26, 2016 letter that the Bureau received from Dr. Rashed Elyas, Chief Executive Officer of B & H Education, Inc., which owns of Marinello. I reviewed the document in my capacity as an investigator for the Bureau].

3. Based on the evidence outlined above, the Bureau has determined that there is an immediate danger to the public health, safety, and welfare. Specifically, despite Marinello's

financial instability, upon information and believe, Marinello continues to enroll students in its various locations. Marinello is not financially stable enough to continue enrollment of new students at its California schools. Marinello has admitted that if it remains on HCM2 or it does not receive reimbursement from the Department of Education for the Title IV funds already provided to its students, the education of approximately 4,300 students will be disrupted and the school may have to close its doors in the near future.

I declare under penalty of perjury under the laws of the State of California that the above statements are true and correct of my personal knowledge.

Executed this 29th day of January 2016 at Sacramento, California.

A handwritten signature in cursive script, reading "Carla Newman", positioned above a horizontal line.

CARLA NEWMAN
Declarant



November 25, 2015

Dr. Rashed Elyas
Chief Executive Officer
B & H Education
501 S. Beverly Drive
Beverly Hills, CA 90212-4520

CERTIFIED MAIL
RETURN RECEIPT REQUESTED
7010 0780 0002 2204 9141

Re: HCM2 Method of Payment
OPE ID: 00736700, 00737100, 00747600, 00833200,
00887400, 01041700, 01265000, 02054900,
02086400, 02221300, 02338700, 02612200,
03094400, 03450300, 03467300, 03927300
DUNS: 832957943, 832526086, 832957752, 054082821,
078367978, 078368393, 146214221, 146243717,
004150854, 146243691, 006341073, 832526854,
832526193, 968451948, 832526300, 078367090

Dear Dr. Elyas:

The Multi-Regional and Foreign School Participation Division has transferred Marinello Schools of Beauty (Marinello) from the Advance method of payment to the Heightened Cash Monitoring 2 (HCM2) method of payment effective November 24, 2015.

Under the HCM2 method of payment, Marinello may continue to obligate funds under the federal student financial assistance programs authorized by Title IV of the Higher Education Act of 1965, as amended. Marinello may disburse institutional funds to eligible students. If Marinello disburses institutional funds, the U.S. Department of Education (Department) will reimburse it for properly documented expenditures. The Department reserves the right to offset any federal claims against funds due to Marinello.

This action is authorized by Section 415 of the General Education Provisions Act, 20 USC 1226a-1, and by the following program regulations: 34 C.F.R. § 668.162, Student Assistance General Provisions.

The Department has taken this action due to program reviews that were performed at seven Marinello Schools of Beauty locations during the week of October 19, 2015, which identified concerns with the institution's administrative capability.

If you wish to discuss this matter, please contact me at (202) 377-3364.

Federal Student Aid
An Office of the U.S. Department of Education

U.S. Department of Education

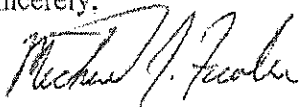
Enclosed are the detailed instructions for all HCM2 requests. Please address all submitted requests and inquiries to:

Robert Gelfand, Payment Analyst
U.S. Department of Education
Multi-Regional and Foreign School Participation Division
Federal Student Aid
100 Penn Square East, Suite 511
Philadelphia, PA 19107

Phone: (215) 656-8593
E-mail: Robert.Gelfand@ed.gov

Please note that the foregoing action does not preclude the Department from taking administrative action against Marinello.

Sincerely,



Michael Frola
Division Director

Enclosures: Instructions for Obtaining Funds under HCM2 Method of Payment
Form 270 (Request for Title IV Reimbursement or Heightened
Cash Monitoring 2 (HCM2)) - emailed
Student Data Spreadsheet - emailed

cc: Rashed Elyas, CEO (rashed@bheducation.com)
Nancy Alpough VP, Financial Aid & Student Finances (nancy.alpough@marinello.com)
National Accrediting Commission of Career Arts and Sciences
CA Bureau for Private Postsecondary Education
NV State Board of Cosmetology
OR Department of Education
KS State Board of Cosmetology
CT Department of Public Health
AZ State Board of Cosmetology
UT Division of Occupational & Professional Licensing
CA Board of Barbering & Cosmetology
KS State Board of Cosmetology
Commonwealth of Massachusetts Division of Professional Licensure

INSTRUCTIONS FOR OBTAINING FUNDS UNDER HEIGHTENED CASH MONITORING (HCM2) METHOD OF PAYMENT

The U.S. Department of Education (the Department) has developed these instructions to minimize the documentation the institution must submit, as well as to facilitate the School Participation Division's review of that documentation. The School Participation Division reviews this documentation to determine the accuracy and reliability of the information submitted. If necessary, the School Participation Division (SPD) may require the institution to submit additional documentation of proper expenditures before the Payment Analyst disburses funds to the institution and/or before approving program authorization requests.

For the Federal Pell (Pell) Grant, Teacher Education Assistance for College and Higher Education (TEACH), Federal Supplemental Educational Opportunity Grant (FSEOG), Federal Work-Study (FWS), Federal Perkins (Perkins) Loan, and Federal William D. Ford Direct Loan (Direct Loan) programs, the institution must demonstrate that it properly determined, awarded, and used its own funds to make disbursements under these programs to eligible students who are enrolled in and are attending eligible programs. When the institution has demonstrated that it has expended these funds in accordance with Title IV requirements, the Department will reimburse the institution (or credit the institution's account from its latest existing cash on hand balance), subject to any right of offset available.

The institution is required under 34 C.F.R. § 668.162(e) to credit students' accounts, or otherwise use its own funds to pay students, for the amount and type of Federal aid they are eligible to receive prior to requesting reimbursement of those funds from the Department. Pell, TEACH, and Direct Loan, disbursement rosters must be in "review status" in the Common Origination and Disbursement (COD) system prior to submission of the request to the Department. All student names, social security numbers and amounts listed in the payment submission must match those in the COD system. All student records must be verified in COD. When verifying records in COD; do not select the warning (W) verification code.

Please note: Complying with HCM2 requirements does not relieve an institution of its obligation to continue reporting payment data to the Department.

I. TECHNICAL ASSISTANCE

Please read these instructions carefully. These instructions have been written in a general manner in order to be used by all the various types of institutions that participate in the Title IV HEA student financial assistance programs. Since different institutions use different methods for recording, processing or storing information, or use different terminology for certain items, it is important to understand that it may be necessary to contact your Payment Analyst for clarification. If there are any doubts about the requested information, please clarify these issues with your Payment Analyst before submitting a request in order to avoid discrepancies and delays.

II. HCM2 SUBMISSIONS

Our office will accept and process only one HCM2 request during any 30-day time period. The institution may submit funding requests for multiple award years together – this will be considered one submission. However, a separate spreadsheet must be included for each award year

After a minimum of six (6) consecutive accurate and complete submission requests and demonstration that the institution's overall administrative/financial controls are in place, the Payment Analyst may allow the institution to submit its HCM2 requests without all of the hard copy documentation identified in Section D. However, the institution must include, at a minimum, the Form 270 with original signatures (see Section B), and the spreadsheet portion of the report (see Section C).

Documentation in the submission will not be returned. Therefore, the Department strongly recommends that the institution maintain a copy of the HCM2 submission.

A. Protection of Personally Identifiable Information

Personally Identifiable Information (PII) being submitted to the Department must be protected. PII is any information about an individual which can be used to distinguish or trace an individual's identity (some examples are name, social security number, date and place of birth).

PII being submitted electronically must be encrypted. The data must be submitted in a .zip file encrypted with Advanced Encryption Standard (AES) encryption (256-bit is preferred). The Department uses WinZip, however, files created with other encryption software are also acceptable, provided that they are compatible with WinZip (Version 9.0) and are encrypted with AES encryption. Zipped files using Win Zip must be saved as Legacy compression (Zip 2.0 compatible).

The Department must receive an access password to view the encrypted information. The password must be e-mailed separately from the encrypted data. The password must be 12 characters in length and use three of the following: upper case letter, lower case letter, number, special character. A manifest must be included with the e-mail that lists the types of files being sent (a copy of the manifest must be retained by the sender).

Hard copy and electronic files containing PII must be:

- sent via a shipping method that can be tracked with signature required upon delivery
- double packaged in packaging that is approved by the shipping agent (FedEx, DHL, UPS, USPS)
- labeled with both the "To" and "From" addresses on both the inner and outer packages
- identified by a manifest included in the inner package that lists the types of files in the shipment (a copy of the manifest must be retained by the sender).

PII data cannot be sent via fax.

B. REQUIRED FORM/CERTIFICATIONS (blank forms enclosed)

The institution is required to submit a completed Form 270, Request for Title IV Reimbursement or Heightened Cash Monitoring 2 (HCM2) with each HCM2 submission. This form is used to request Title IV funds under HCM2.

The President, Owner or CEO and the comptroller and/or third-party servicer is required to certify that the information submitted to receive funds while under the HCM2 payment method is accurate. A false certification may result in civil or criminal action by the Department against the institution.

With each HCM2 request submitted, the institution must include one Form 270 per award year for which funds are requested. All Title IV program funds requested must be indicated on the Form 270 and it must be completed according to the instructions provided with the form.

When completing the Form 270, if Title IV adjustments are due when a student ceases attending and your institution has previously claimed more than the "earned" amount, the institution must net out these amounts when the next request for funds is made. Any adjustments of Pell Grant, TEACH Grant, and Direct Loan Funds must be processed in COD prior to submitting your request.

For example:

- An institution submits a request for Federal Pell funds for 20 students in the amount of \$18,500 on the Form 270 (Section 6A).
- Five of the 20 students withdrew and a total refund of \$3,500 has been calculated for those students and processed in COD. The institution must provide a separate withdrawal spreadsheet with student names and the amount of refunds. The institution would subtract the \$3,500 from the claim, listing it as cash on hand on the Form 270 (Section 6B).
- Therefore, the institution would claim a total of \$15,000 of funds on the Form 270 (Section 6C).

C. REQUIRED STUDENT INFORMATION

The information listed below must be provided for each student for whom the institution is requesting funds in spreadsheet format (hardcopy and/or electronic). Submit a separate spreadsheet for each award year for which funds are requested. The student records on each spreadsheet must be alphabetized by student last name and then numbered in sequential order. A sample spreadsheet is enclosed. The spreadsheet should be modified to fit the school's situation. Any electronic spreadsheet submission must be in either Microsoft Excel or Access at the discretion of the Payment Analyst. Please contact your Payment Analyst to discuss this option in detail.

If Marinello has not released outstanding disbursements from G5 into the institution's federal bank account for students prior to its transfer to HCM2, Marinello must request payment for these students through the HCM2 process by reporting them on the student data spreadsheet and providing the required hard copy documentation identified in Section D.

D. REQUIRED HARD COPY STUDENT DOCUMENTATION

To support the request for funds, the institution must provide on demand student records that demonstrate:

- The institution's students were eligible to receive their awards;
- The institution calculated student awards properly; and
- The institution has disbursed the award amounts to those students

Initial submission of hard copy student documentation will be capped at 100 students. Institutions with 100 or fewer students on their payment submission should submit hard copy documentation for all students. Institutions with 101 or more students, must submit an electronic list of all students (see Section C above for details) to the Payment Analyst who will select a random sample of 100 students. The Payment Analyst will identify which 100 students the institution with 101 or more students should provide initial hard copy documentation. The Department reserves the right to collect hard copy documentation for any and all students included on an institution's payment submission at its discretion.

For each student for whom the institution is supplying hard copy documentation, submit the most recent copies of the requested documentation, alphabetically grouped by student, in the order listed below.

- **All transactions for ISIRs** (not just paid-on ISIR). The ISIR must have all pages, an EFC, and all comment codes with related text.
- **Copies of official institutional student tuition account records**, documenting each completed transaction (including transaction date, description and debit or credit), by cash payment or credit, from the student's initial enrollment through the present. Records must be in chronological historical sequence. The records should demonstrate that the institution has properly credited the student's tuition account records with Title IV disbursements, return of Title IV funds, and paid credit balances.
- **Spreadsheet of student's**, including name, social security number, school location, current telephone number (home and cell), permanent address, email address, and basis for admission. If basis of admissions is high school diploma, provide name of high school.
- **Student Master Sheet**
- **Personal, Family and Reference Information Sheet**
- **Private loan and/or Line of Credit application and promissory note**

- **Documentation of Basis of Admissions (i.e., ATB, GED, High School Diploma) including all transcripts**
- **Proof of academic qualifications: verification of high school diploma/high school diploma equivalent. The following are acceptable forms of proof:**
 - High school diploma
 - Copy of high school diploma
 - Copy of high school transcript showing graduation date
 - Home schooling certification
 - Equivalent of high school diploma
 - GED
 - State Certificate if applicable
 - Academic transcript from completed two year program that is acceptable for full credit towards a bachelor's degree
 - Documentation that student excelled academically in high school, in an associate's degree program, etc. See regulation 600.2 (The institution must have a policy for admitting such persons.)
 - Documentation of a passing score consistent with test publisher requirements (e.g., complete examination, score sheet and independent tester certification)
- **Enrollment Agreement/Contract:** For institutions that execute, include the fully completed enrollment agreement or contract, including program name, cost, start date, student signature and date.
- **Institutional pre-enrollment documents if any,** including Application for Enrollment, Application for Financial Aid, Pre-enrollment Student Questionnaire, etc.
- **Complete verification documentation** (please see the Federal Student Aid Handbook Application and Verification Guide) for the applicable award years and the appropriate verification group.
- **Credit balance documentation:** Documentation for all student credit balances from previous submission that demonstrates that those credit balances were liquidated:
 - Documentation of electronic transfer to the student bank account
 - Front and back copies of check to student
 - Receipt for cash disbursed, and
 - Return of credit balance to Title IV program

Any credit balances must be paid to students within 14 days of balance creation according to 668.164(e)(1)(2). The institution may not obtain student or parent authorization to hold credit balances. The institution must not include students in the HCM2/Reimbursement submission until the institution can provide a copy of the canceled credit balance check or confirmation of an electronic wire transfer of the funds to a student's bank account.

- **Documentation of Return to Title IV funds** for withdrawn students for whom the institution is requesting HCM2/adjustment, including:
 - R2T4 calculation worksheet
 - Student withdrawal form for official withdrawals
 - Documentation of return of funds to the lender / the Department (e.g., front and back copies of check to the lender / the Department, copies of electronic transaction confirmations, Form 270 form showing downward adjustment, copy of negative disbursement record from COD)
 - Documentation of Post Withdrawal Disbursement made to student
 - Screen print showing withdrawal information was reported to NSLDS
- **Attendance Documentation:** From Guestvision, RGM, and paper attendance rosters
- **Proof of Satisfactory Academic Progress, including:**
 - Academic Transcript for entire academic history with the institution, including:
 - Grade Point Average (GPA)
 - Cumulative GPA
 - Hours/Credits attempted
 - Hours/Credits completed
 - Payment period
 - Transfer hours/credits accepted
 - Documentation of any student appeal of failure to make SAP
 - SAP measurement documentation in the student file, if any
- **Award calculation, by specific payment period and disbursement**
- **Documentation to support any institutional intervention** in determining a student's eligibility, e.g., professional judgment, SAP appeals, dependency overrides, etc.
- **Documentation resolving conflicting and discrepant information, (e.g., C- codes on the ISIR, name changes, gender ambiguity)**
- **Additional relevant student file documents:** the Institution must submit any additional information relevant to determining the eligibility of students submitted for review. This must include documentation such as leave of absence documentation, an eligibility checklist, Financial Aid Director notations of changes to eligibility, counseling records pertinent to satisfactory academic and attendance progress, etc.
- **For Direct Loan recipients,** entrance counseling documentation, including student signature and date.

E. REQUIRED INSTITUTION INFORMATION

The institution must submit a copy of its most current:

- School Catalog
- Student Handbook

- Consumer Information handouts/addendums
- Satisfactory Academic Progress policy
- Attendance policy and description of method/system of documenting attendance, including how you determine whether or not the student withdraws, drops out or is expelled before his or her first day of class
- Return to Title IV policy
- FSEOG student selection policy
- Procedures for determining a withdrawn student's last day of attendance (official and unofficial)
- Selection procedures for campus-based recipients
- Award formulas for each Title IV program and for each academic program
- Pell and Campus-Based/Direct Loan cost of attendance/budget for each academic program
- Key/legend for any submitted documentation, e.g., account ledger, academic transcript
- Independent test administrator's ATB certification
- Formula for calculating students' Grade Point Average (GPA) if not included in Student Handbook or catalog
- Method of disbursement of FWS wages (by check, EFT, credit to student account, or cash with signed receipt)
- For Campus-Based programs, method of matching federal share
- Information describing characteristics for each academic program to determine program type (term, non-term and non-standard term) and method of delivery (in-person, distance education, correspondence, or combination), Pell grant formula, disbursement schedule, academic year definition, minimum full time and borrower based vs. scheduled academic year

Subsequent submissions do not require inclusion of these documents unless these documents are revised.

IV. SUBMISSION PROCESSING

Normal processing time is thirty (30) days from the date the submission is received. However, the School Participation Division reserves the right to take the necessary time to review the request for reimbursement and to request and review additional documents before providing funds to the institution. If the Payment Analyst anticipates a delay in processing a request, our office will notify the institution and indicate the expected completion date.

After reviewing a submission, the Payment Analyst will initiate the release of the appropriate amount of funds to the institution. If the review results in only a partial approval, the request will be amended, and the reduced amount will be provided. The Payment Analyst will inform the institution by letter of the program funds and reasons for any rejected amounts. The institution may correct the errors and resubmit the rejected records as part of its next submission. If the institution chooses to resubmit the rejected records as a separate submission, the institution must correct the errors and resubmit the records as a complete package, including Form 270, Student Data Spreadsheet, etc. The institution may submit the request without waiting for the original

30-day submission period to pass. Upon receipt of the resubmitted request, a new 30-day period will begin.

If an entire submission is rejected, the institution will receive a letter with specific information about the errors found. The institution may correct these errors and resubmit the complete package, including the corrected documentation. If a submission is rejected, the institution may resubmit that request without waiting for the original 30-day submission period to pass. Upon receipt of the resubmitted request, a new 30-day period will begin.

Depending upon findings resulting from processing of the institution's initial submissions, the Department may require additional student data and/or hard copy documentation in subsequent submissions. The Department will notify the institution in writing of any additional submission requirements.

The approval of a submission in no way limits the Department's right to later determine that these funds were improperly expended, and to recover these funds from the institution as the result of an audit or program review or in any other manner.

In order to verify the accuracy and completeness of any data submitted, all institutions on the HCM2 method of payment are subject to random unannounced documentation reviews.

If you have any questions regarding these procedures, please contact Robert Gelfand, Payment Analyst of the Multi-Regional and Foreign School Participation Division at (215) 656-8593.



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310-552-3838
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January 26, 2016

VIA E-MAIL

Leeza Rifredi
Manager / Licensing Section
Bureau for Private Postsecondary Education
Leeza.Rifredi@dca.ca.gov

Re: Marinello Schools of Beauty

Dear Leeza:

We are writing to inform you of a serious matter facing the Marinello Schools of Beauty ("MSB")¹, operating 39 vocational, postsecondary education institutions and serving over 3,200 students in California. On November 25, 2015, the Department of Education ("ED") notified MSB it had placed all of its schools on Heightened Cash Monitoring Level 2 ("HCM2") status. This essentially creates a delay in Title IV funding to MSB of approximately 60-90 days, and also decreases the total amount and certainty of aid received. This action followed an October 2015 program review conducted by ED's Multi-Regional & Foreign School Participation Division ("MRD") at seven of MSB's campuses in addition to its corporate office. No findings were cited at the conclusion of the program review site visit. Indeed, during the term of the current management team (approximately 12 years), MSB has not had any significant finding of noncompliance issued against it.

ED's November 25 notification states the change is being made due to "concerns about administrative capability." Upon receiving the notice, we immediately contacted ED to request clarification about the underlying factors leading to this conclusion. We were initially told that ED needs time to validate its concerns due to the size of the program review. We have since contacted ED more than 15 times through multiple channels, including holding several calls with the MRD and sending a letter and multiple emails to Jim Runcie, Chief Operating Officer, U.S. Department of Education, to attempt to understand the reasons for its actions and to explain the dire cash flow situation MSB

¹ MSB marked its 110th anniversary as a beauty education organization this year. Currently, MSB has approximately 4,300 enrolled students attending 57 locations and approximately 800 employees. At least 65% of MSB's student body consists of minorities (including approximately 1,800 Hispanic or Latino students and approximately 800 African American students) and 89% of MSB students are female. 2,438 MSB graduates obtained licensure in professional occupations in 2015, and another 2,174 obtained licensure in 2014.

is facing under HCM2. Despite these multiple discussions and the sharing of MSB's cash flow forecasts, ED, including Mr. Runcie's office, has thus far indicated they are unwilling or unable to adapt the HCM2 process while ED completes its review to determine whether cause for its action indeed exists. This action taken by ED against MSB is inconsistent with ED's customary policies and procedures and blatantly denies MSB due process.

MSB has maintained regulatory compliance throughout its history but now finds its continued existence threatened as a result of being placed on HCM2 on the basis of unformed allegations. Although MSB has held out hope throughout the last two months that ED will work to promptly complete its program review and promptly process MSB's HCM2 requests, as promised, this has not come to fruition. As a result, and despite the fact that MSB has ably operated without 80% of its cash revenues since November 25, 2015, absent a prompt modification of the HCM2 status and processes to adapt to the reasonable business requirements of MSB, we will be forced to close our 57 locations.

To summarize, we are facing an unprecedented situation. We are deeply concerned that the lack of due process and transparency provided by the Department may result in the disruption of education for approximately 4,300 students, the loss of approximately 800 jobs, and the closure of a respected vocational school whose programs prepare its students to obtain state licensure required for their specified vocations, all of which may occur while the Department is determining whether and to what extent MSB has allegedly violated Title IV rules.

We have informed the Department that we must have a response regarding its intentions to process our HCM2 requests, or to modify our HCM2 status, by February 1, 2016. We have asked the Department to speak to us regarding these issues no later than January 29. We will keep you updated regarding our communications with the Department and any final determination made regarding the future operations of the MSB schools. If we determine that the MSB schools must close, we will seek to work closely with you to minimize any potential negative impact on students. In this regard, it would be helpful if you could confirm your availability for a call on February 2, 2016.

Sincerely,



Dr. Rashed Elyas, CEO
B&H Education, Inc.
Marinello Schools of Beauty